

**Introduction:**

For many years, the only way to address compensation for issues related to performance, recruitment, and retention was to increase base salaries. This was accomplished through either individual allocations or system maintenance studies, if supported by salary survey data. The resulting pressure on the job evaluation system impacted the integrity of the class structure itself, increased ongoing base labor costs, and artificially compressed pay levels.

Staff at the Department of General Support Services (GSS) began to explore the option of pay differentials in conjunction with the 1993 Job Evaluation System Redesign Project; however, no action was taken at that time. Then in 1996, the role of GSS as defined by the department merger plan, included a commitment to provide more flexibility and discretion to the level where operating decisions are made—the individual departments. The advent of Colorado Peak Performance in 1996 further solidified this direction, with the movement to create options and flexible practices for departments. Finally, the critical supply and demand market situation for the information technology professionals in 1997 served as the impetus for taking action.

GSS established the following guiding principles to direct the development and implementation of a discretionary pay differentials program:

- Differentials should be streamlined and flexible.
- Differentials are discretionary on the part of the agency. The agency is not obligated to pay, even if the employee is eligible.
- Differentials can be discontinued at any time.
- The statutory lid applies in all cases—no combination of salary and non-base-building differential(s) is allowed to exceed the salary lid in any given month.
- Range maximums are not a limiting factor for differentials.
- Base-building payments cannot exceed the job rate.
- Agencies must have a written plan, based on sound business considerations.
- The plan must be communicated to agency employees.
- Managers who control budgets and staffing must be held accountable for their decisions concerning all aspects of plan implementation.
- All awards or differential payments will be funded within existing budgets.
- Except for discrimination, no aspect of any pay differential decision is grievable or appealable.

**Colorado Department of Human Services Policy:**

The Colorado Department of Human Services (CDHS) will implement a Discretionary Pay Differentials Program (DPDP) in conformance with the parameters mandated in Article 9 of the Directors Procedures. The program must include concise implementation guidelines to prevent excessive use and/or abuse. In addition, the program plan must clearly identify how the discretionary pay differentials differ from and integrate with Colorado Peak Performance. As defined in Article 9 of the Directors Procedures, the CDHS Discretionary Pay Differential Program will include the following parameters:

- CDHS is not obligated to use or award any type of discretionary pay differential even when an individual may be eligible.
- Except for discrimination, no aspect of the award is grievable or appealable.
- The use of a discretionary pay differential must be funded within existing budgets and may be discontinued at any time.
- CDHS must develop and communicate appropriate criteria for the use of any discretionary pay differential which is consistent with sound business practice and needs.

- There must be an individual written agreement between the employee and appointing authority that stipulates the 1) amount, 2) forfeiture or repayment, 3) frequency of payout, 4) service requirements for payments, 5) the duration of the differential or award, 6) the reason for the award, and 7) any other terms and conditions relating to the discretionary pay differential.

The Discretionary Pay Differential Program will include four programs: matching pay; signing bonus; referral award; and temporary pay.

#### **Matching Pay:**

- Matching pay is used for movements within the same pay range.
- Matching pay can be base building, non-base building, or a combination of both.
- If base building, it may be set at any amount up to 25% above current pay, up to and including the job rate and will be paid for through regular payroll.
- If non-base building, the sum of the differential and current base pay may be an amount up to 25% above the maximum of the current grade. An Office Manager may exceed this level by presenting a case of justification to the Executive Director for approval.
- In combination with the current salary, the matching pay may not exceed the statutory salary lid in any given month. It may be made in one or several payments.
- Matching pay is awarded at the appointing authority's discretion, with a limit of one time in a twelve-month period, for the following reasons:
  1. As a counter offer for a verifiable, bona fide, written internal or external job offer; or
  2. As a compression adjustment where the pay rates of current, longer-term employees are brought up to the rates of newer employees.

#### **Signing Bonus:**

- CDHS will target positions in: Information Technology; Nursing; Food Service; and other occupations where there is a documented shortage in the market and recruitment or retention difficulty jeopardizes our mission. In addition, a signing bonus may be made to an applicant that possesses a unique and critical skill in relation to the job requirements.
- The hiring authority must describe in writing how the above criteria has been met.
- A signing bonus is a discretionary award that is used to attract employees into the state system.
- The award is non-base building and the statutory lid applies.
- The amount of the award is not to exceed \$4,500. An Office Manager may exceed this level by presenting a case of justification to the Executive Director for approval.
- 50% of the award will be paid upon hire; the remaining 50% at the time of certification.
- If the employee does not stay for 12 months, the award must be refunded in full.
- The specific conditions of the signing award will be delineated in the standard contract.

#### **Referral Award:**

- Referral award is a discretionary, non-base building amount of up to \$300.
- The award can be distributed in several ways: paid to the current employee for referral and subsequent hire of an employee into a state personnel system position; or used to make an award to both the current employee making the referral and the new hire. The distribution method is at the discretion of the hiring authority.
- The position being filled is one that requires a unique, specialized skill when there is a documented shortage in the market and recruitment and retention in the department is difficult.

- For verification purposes, the employee who made the referral and the newly hired employee must certify in writing that the referral was made.
- The award will be paid upon hire of the new employee. The recipient of the award must be employed by the CDHS.
- Employees who influence or are responsible for the hiring process or those having recruitment as part of their regular assignment are not eligible for this award.

#### **Temporary Pay Differential:**

- Temporary pay differential is discretionary, non-base building pay.
- The amount is paid through regular payroll and may be set up to 25% of current base pay.
- The total, in combination with current base pay, cannot exceed the statutory lid in any given month.
- This differential is temporary only, is not intended to substitute for the allocation process, and the employee remains in the current position.
- It is awarded and discontinued at the discretion of an appointing authority for the following reasons:
  1. Acting assignment: where the employee assumes the full set of duties from a higher-level vacancy or during extended leave for a period longer than 30 days and up to six months. No temporary pay differential shall exceed six months in a 12-month period. This is in conformance with State Personnel Board Rule (Policy 5-4[C]) which requires a six-month limitation on acting assignments.
  2. Project assignment: assignments that are not customarily assigned or an expected part of the regular assignment; assignments that are at a higher level or in addition to regular assignments and duties. Such projects maybe short term or long term and are deemed critical to the mission of the agency and its operations as defined by the project, its time frame and the critical nature of the expected results.
  3. Unique, extremely specialized skills or knowledge: skill and knowledge that is critically important to the mission of the department and its productivity. This applies to current employees that the agency cannot afford to lose or to recruitment of individuals with critical skills when there are documented shortages in the market. The value of such background is such that its loss or the inability to recruit would result in documented, severe adverse impact on the agency mission and productivity.

#### **Conclusion:**

Through the flexibility provided by the Discretionary Pay Differentials Program, the Colorado Department of Human Services has the ability to address documented shortages in the market and recruitment or retention difficulties that jeopardize our mission. Over the course of the fiscal year, we will evaluate the various components of this program and make adjustments as needed.

## **INDIVIDUAL AGREEMENT FOR SIGNING BONUS**

The Colorado Department of Human Services agrees to pay \$\_\_\_\_\_ to \_\_\_\_\_ for accepting an appointment to the class of \_\_\_\_\_, position #\_\_\_\_\_. The bonus will be paid in two equal payments. The first payment of \$ \_\_\_\_\_ will be included in the first paycheck after the first day of work which is : \_\_\_\_\_. The second payment of \$\_\_\_\_\_ will be made no later than \_\_\_\_\_ after one (1) year of satisfactory service.

The bonus is not part of base pay. The employee understands that the initial bonus is forfeited if the employee fails to report to work. The first and second payments are forfeited if the employee is no longer in the position to which hired or performance is not satisfactory. It is further understood that the bonus, in combination with base pay, cannot exceed the statutory salary lid which may necessitate paying the bonus in monthly installments. The employee understands that a signing bonus is not included in salary calculations for retirement (PERA) or overtime purposes, if non-exempt.

The employee also understands that an unforeseen change in business needs or availability of funds may require modification or cancellation of this agreement and a written notice will be given to the employee at least ten days in advance. It is understood that no aspect of this bonus is grievable or appealable.

The terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions.

\_\_\_\_\_  
**Employee Signature**

\_\_\_\_\_  
**Office Manager or Designee**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Social Security Number**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Date**

### **INSTRUCTIONS**

- Refer to CDHS Pay Differential Program (7-2-98) for eligibility criteria and pay restrictions
- Submit completed agreement & personnel action form to the appropriate district personnel office using standard approval process. NOTE: Executive Director approval not required.
- Personnel office initiates pay action, and distributes copies to payroll and budget offices.

(dated 7-21-98)

# INDIVIDUAL AGREEMENT FOR REFERRAL AWARD

The Colorado Department of Human Services agrees to pay a referral award of \$\_\_\_\_\_ for the Recruitment of \_\_\_\_\_ who was appointed to the class of \_\_\_\_\_, position # \_\_\_\_\_. The award will be paid in one (1) lump sum when \_\_\_\_\_ reports to work on \_\_\_\_\_.

%\_\_\_\_\_ of the award will be paid to \_\_\_\_\_ (referring employee).  
%\_\_\_\_\_ of the award will be paid to \_\_\_\_\_ (new employee).

The bonus is not part of base pay. The undersigned employee understands that the award is forfeited if the employee fails to report to work. It is further understood that the award, in combination with base pay, cannot exceed the statutory salary lid which may necessitate paying the award in monthly installments. The employee understands that a referral award is not included in salary calculations for retirement (PERA) or overtime purposes, if non-exempt.

The employee also understands that an unforeseen change in business needs or availability of funds may require modification or cancellation of this agreement and a written notice will be given to the employee at least ten days in advance. It is understood that no aspect of this bonus is grievable or appealable.

The terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions.

\_\_\_\_\_  
Employee Signature (award recipient)

\_\_\_\_\_  
Office Manager or Designee

\_\_\_\_\_  
Printed Name / SSN #

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Employee Signature (referred employee)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## INSTRUCTIONS

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(dated 7-6-98)

**INDIVIDUAL AGREEMENT  
FOR  
MATCHING PAY  
(COUNTER OFFER OR COMPRESSION ADJUSTMENT)**

The Colorado Department of Human Services agrees to award a matching pay differential to \_\_\_\_\_ as a: (1) counter offer \_\_\_\_\_

(2) compression adjustment \_\_\_\_\_

The Department will increase the employee's salary by \$\_\_\_\_\_ per month.

- \_\_\_\_\_% of the increase will be **base building** (permanent).
- \_\_\_\_\_% of the increase will be **non-base building**, and will be paid only for \_\_\_\_ months after the effective date.

The adjustment will take effect on \_\_\_\_\_ and be paid through regular payroll. The adjustment is made to the employee's base pay and regular personnel rules and procedures apply. The employee understands that the increase is included in salary calculations for retirement (PERA) or overtime purposes, if non-exempt.

The employee also understands that no aspect of this award is grievable or appealable. If base pay is reduced in the future, any appeal rights will be in accordance with personnel rules and procedures that apply to the action that is reducing base pay.

The terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions.

\_\_\_\_\_  
**Employee Signature**

\_\_\_\_\_  
**Office Manager or Designee**

\_\_\_\_\_  
**Printed Name** / **SSN#**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Date**

**INSTRUCTIONS**

- Refer to CDHS Pay Differential Program (7-2-98) for eligibility criteria and pay restrictions.
- Submit completed agreement & personnel action form to appropriate district personnel office using the standard approval process. NOTE: Executive Director approval not required.
- Personnel office initiates pay action and distributes copies to payroll and budget offices.

(dated 7-6-98)

# INDIVIDUAL AGREEMENT FOR TEMPORARY PAY DIFFERENTIAL

The Colorado Department of Human Services agrees to pay \$\_\_\_\_\_per month  
to\_\_\_\_\_ for:

**Acting Assignment (Limited to 6 Months)** Name: \_\_\_\_\_ has agreed to accept an acting assignment and will remain in position # \_\_\_\_\_ which is classified as a/an\_\_\_\_\_. The employee will perform all of the duties and authorities assigned to position #\_\_\_\_\_ which is classified as a/an \_\_\_\_\_. The differential will be paid monthly through regular payroll beginning with the month of \_\_\_\_\_. It is anticipated that the acting assignment will begin on \_\_\_\_\_ and continue through \_\_\_\_\_. In no case shall the Temporary Pay Differential continue beyond six months.

**Project Assignment** – The first payment will begin with the \_\_\_\_\_ payroll and will continue for \_\_\_\_\_ months.

**Unique Skill** – The first payment will begin with the \_\_\_\_\_ payroll and will continue for \_\_\_\_\_ months.

The differential is not part of base pay and is temporary in nature. It is further understood that the differential, in combination with base pay, cannot exceed the statutory salary lid. The employee understands that a Temporary Acting Assignment differential is included in salary calculations for retirement (PERA) or overtime purposes, if non-exempt.

The employee also understands that an unforeseen change in business needs or availability of funds may require modification or cancellation of this agreement and a written notice will be given to the employee at least ten days in advance. It is understood that no aspect of this differential is grievable or appealable.

The terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Office Manager or Designee

\_\_\_\_\_  
Printed Name / SSN #

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## INSTRUCTIONS

- Refer to CDHS Pay Differential Program (7-2-98) for eligibility criteria and pay restrictions
- Submit completed agreement & personnel action form to appropriate district personnel office using standard approval process. NOTE: Executive Director approval not required.
- Personnel office initiates pay action and distributes copies to payroll and budget offices.